

Message Text

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ACTION EUR-12

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E.O. 11652: N/A
TAGS: ENRG, EFIN, CA
SUBJECT: BAY OF FUNDY TIDAL POWER

REF: A. OTTAWA A-105 B. HALIFAX 146 C. OTTAWA 1399

DEPARTMENT PLEASE PASS DOE FOR SIEVERING AND VANDERRYIN

1. A REPORT TITLED "REASSESSMENT OF FUNDY TIDAL POWER",
PREPARED UNDER THE GENERAL DIRECTION OF THE BAY OF FUNDY
TIDAL POWER REVIEW BOARD, WAS RELEASED TO THE PUBLIC
ON 15 MARCH 1978 (SEE REFTELS). COPIES WERE SENT TO
THE DEPARTMENT AND DOE.

2. THIS STUDY REPRESENTS A MAJOR EFFORT BY THE PROVINCES
OF NOVA SCOTIA AND NEW BRUNSWICK WITH THE ASSISTANCE
OF THE FEDERAL GOVERNMENT, TO PROMOTE SERIOUS CONSIDERA-
TION OF A THREE TO NINE BILLION DOLLAR PROJECT FOR
GENERATING ELECTRICITY FROM TIDAL POWER OF THE BAY OF
FUNDY. THE STUDY CONCLUDES THAT TWO POSSIBLE SITES ARE
TECHNICALLY FEASIBLE AND BOTH ECONOMICALLY AND
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FINANCIALLY JUSTIFIABLE (WITH HEAVY FEDERAL GOVERNMENT
SUPPORT). IT CONCLUDES THAT THE SMALLER OF THE TWO
SITES, LOCATED AT CUMBERLAND BASIN, JOINING THE PROVINCES
OF NOVA SCOTIA AND NEW BRUNSWICK, IS A PRIME CANDIDATE
FOR DEVELOPMENT.

3. THE EMBASSY BELIEVES THAT ASSUMPTIONS AND CONCLUSIONS

OF PRESENT STUDY ARE HIGHLY QUESTIONABLE. ECONOMISTS IN THE MARITIME PROVINCES WHO HAVE STUDIED THE PROJECT AND WITH WHOM WE HAVE TALKED HAVE SIMILAR RESERVATIONS. THERE ALSO ARE QUESTIONS OF TECHNICAL FEASIBILITY WHICH WAS BORNE OUT BY INFORMAL CONVERSATIONS WITH SOME OF TECHNICAL ENERGY EXPERTS IN OTTAWA. NEVERTHELESS, THERE IS STRONG LOCAL POLITICAL BACKING FOR THE PROJECT AS A MAJOR SHOT IN THE ARM FOR THIS DEPRESSED REGION. THE PROJECT IS ALSO BEING PROMOTED AS A SOURCE OF NATIONAL PRIDE AND PRESTIGE.

4. THE STUDY HAS ALREADY SCORED SOME POLITICAL SUCCESS, IN THAT THE FEDERAL GOVERNMENT, ON THE BASIS OF THE STUDY (AND A FEW MONTHS PRIOR TO NATIONAL ELECTIONS), HAS OFFERED TO HELP FUND THE 30 MILLION DOLLAR COST OF DETAILED ENGINEERING STUDIES FOR THE PROJECT.

5. GIVEN THE HIGH OPPORTUNITY COST OF CAPITAL THAT WOULD BE TIED UP IN THIS PROJECT, ITS VERY LONG BREAK-EVEN POINT (35 TO 50 YEARS) AND OTHER FACTORS, THE EMBASSY IS SKEPTICAL THAT THE PROJECT CAN GET OFF THE GROUND IN THE FORESEEABLE FUTURE (FIVE OR TEN YEARS) ON THE BASIS OF ECONOMIC MERITS ALONE. SHOULD CANADA DECIDE TO GO AHEAD WITH THE LARGER PROJECT -- THE ONE NOT RECOMMENDED IN THIS STUDY -- THERE COULD BE SOME BENEFITS TO THE NORTHEASTERN U.S. HOWEVER, IF THE LIMITED OFFICIAL USE

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APPROACH TAKEN TO THIS STUDY IS ANY INDICATION, THE CANADIAN APPROACH TO THE BAY OF FUNDY TIDAL POWER PROJECT WILL BE TO ATTEMPT TO MINIMIZE THE NEED FOR ENERGY SALES, ENVIRONMENTAL STUDIES, AND OTHER FORMS OF COOPERATION WITH THE UNITED STATES.

6. ALASTAIR GILLESPIE, MINISTER OF ENERGY, MINES AND RESOURCES, HAS TOLD US THAT BECAUSE OF STRONG POLITICAL BACKING, THE SMALLER CUMBERLAND BASIN SITE "IS SURE TO BE BUILT" IN THE NEAR FUTURE. GILLESPIE MIGHT BE RIGHT. HOWEVER, FINAL DECISION PROBABLY WILL NOT BE TAKEN UNTIL COMPLETION OF ENGINEERING STUDIES, SCHEDULED FOR THREE YEARS. CUMBERLAND BASIN SITE WOULD REQUIRE FEDERAL GOVERNMENT TO PUT UP AT LEAST ONE BILLION DOLLARS "UP FRONT", WITH REPAYMENT TO GOVERNMENT NOT BEGINNING UNTIL ABOUT TWELVE YEARS AFTER THE CURRENT ESTIMATED COMPLETION DATE IN 1990.

7. DETAILS OF EMBASSY ANALYSIS ARE GIVEN IN OTTAWA'S A-105, DATED MAY 5, 1978 WHICH HAS BEEN SENT TO DEPARTMENT. ENDERS

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